ASX: GBE | Bloomberg: GBE AU | Reuters: GBE.AX | **15 July 2008**

Globe Metals & Mining

Findings of the Kanyika scoping study are positive

Event

Globe has announced results of the scoping study for its Kanyika Project in Malawi. The study was carried out by Coffey Mining Pty Ltd. The Kanyika deposit is differentiated by the fact that it is a niobium deposit with uranium, tantalum and zircon credits. Global consumption of niobium has risen apace, growing at around 20% per annum for the past five years. The assumptions that Coffey Mining Pty Ltd has used to estimate potential cash flows are suggestive of a robust project generating free cash flow of US$1.1B over a 20-year project life. The estimated upfront capital cost for the project is US$156M for 3,000tpy production of Nb, and US$177M for annual production of 4,000tpy of Nb. A summary of the key findings of the scoping study is shown in Table 1.

Implications

Kanyika is intended to be developed as an open-pit mining operation with a very low stripping ratio of less than one tonne of waste to one tonne of ore. The estimated capital cost includes a processing facility producing ferro-niobium alloy and high-purity metal oxides. SGS Lakefield, Canada completed the initially metallurgical testwork and provided the input parameters for the study. The degrees of accuracy for the study are plus or minus 30% for mining costs and plus or minus 50% for other items. As such, the conclusions from the scoping study are only a guide as to what the financial metrics would look like if real operating parameters were the same as those used in the study. The satisfactory completion of the scoping study was a major milestone and a short payback of less than two years for 4,000tpy of Nb reduces project risk and increases the NPV over a longer period to recoup capital. GBE believes that there is potential to improve the financial metrics.

Investment Opinion

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Key Information

Share Price	**$0.29**
Valuation	**n/a**

Price Performance

Market Statistics

Market Cap (M)	$20
Shares (M)	67.3
% of All Ords	0.00
% of Sector	0.00
12 Month Range	$0.22 - $0.81
Company Risk	★★☆☆☆
Share Price Risk	★★☆☆☆
Ethical rating	★☆☆☆☆

Performance against indices (%)

	3 Months	6 Months	12 Months
GBE	(48.3)	(21.1)	(61.0)
Sector	(6.4)	(2.2)	0.4
Market	(8.4)	(16.8)	(22.1)

Key Assumptions

:
:
:
:
:
:

Nominal terminal growth rate (%): 3.0

Earnings Summary

Yr to Jun	NPAT Rep $M	NPAT[1] Adj $M	EPS[1] c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2006A	**(0.4)**	**(0.4)**	(1.2)	n/a	**(23.8)**	(1.4)	(1.3)	0.0	**0.0**	0	(34.7)
2007A	**(1.7)**	**(1.7)**	(4.2)	n/a	**(6.8)**	(0.4)	(0.4)	0.0	**0.0**	0	(42.9)

[1] NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

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Globe Metals & Mining

Valuation: n/a   Company risk [1]: ★★☆☆☆   Share Price risk [1]: ★★☆☆☆   Ethical rating [2]: ★☆☆☆☆

Year end Jun. All figures in A$M

Profit & loss summary	2006A	2007A
Operating revenue	**0.0**	**0.0**
Invest & other income	(0.1)	(0.2)
EBITDA	**(0.5)**	**(1.9)**
Depreciation/Amort	(0.0)	(0.0)
EBIT	**(0.5)**	**(1.9)**
Net Interest	0.1	0.2
Pre-tax profit	**(0.4)**	**(1.7)**
Tax expense	0.0	0.0
Minorities/Assoc./Prefs	0.0	0.0
NPAT	**(0.4)**	**(1.7)**
Non recurring items	0.0	0.0
Reported profit	**(0.4)**	**(1.7)**
NPAT add Goodwill & Pref	0.0	0.0
Adjusted profit	**(0.4)**	**(1.7)**

Ratio analysis	2006A	2007A
Revenue growth (%)	0.0	0.0
EBITDA growth (%)	n/a	n/a
EPS growth (%)	n/a	n/a
EBITDA/Sales margin (%)	0.0	0.0
EBIT/Sales margin (%)	0.0	0.0
Tax rate (%)	0.0	0.0
Net debt/equity (%)	(96.6)	(87.7)
Net debt/net debt + equity (%)	(<1000)	(713.3)
Net interest cover (x)	n/a	n/a
Payout ratio (%)	0.0	0.0
Capex to deprec'n (%)	0.0	0.0
NTA per share ($)	0.10	0.19
ROA (%)	(42.8)	(46.3)
ROE (%)	(34.7)	(42.9)

Cashflow summary	2006A	2007A
EBITDA	**(0.5)**	**(1.9)**
Working capital changes	0.0	0.0
Interest and tax	0.0	0.0
Other operating items	(0.0)	(0.1)
Operating cashflow	**(0.5)**	**(2.0)**
Required capex	0.0	0.0
Maintainable cashflow	**(0.5)**	**(2.0)**
Dividends	0.0	0.0
Acq/Disp	(0.0)	(0.1)
Other investing items	0.0	(0.0)
Free cashflow	**(0.5)**	**(2.1)**
Equity	4.6	8.2
Debt inc/(red'n)	(0.0)	0.0

Multiple analysis	2006A	2007A
Market cap (M)		20
Net debt ($M)		(10.0)
Peripheral assets ($M)		n/a
Enterprise value ($M)		**10.3**
EV/EBIT (x)	**(22.2)**	**(5.3)**
EV/EBITDA (x)	**(22.2)**	**(5.4)**
EV/EBITDA All Ind (x)	7.6	6.8
EV/EBITDA rel All Ind (x)	(2.9)	(0.8)
P/E (x)	**(23.8)**	**(6.8)**
P/E rel All Ind (x)	(1.5)	(0.5)
P/E rel All Ind ex banks (x)	(1.3)	(0.4)
P/E sector (x)	17.9	16.7
P/E rel sector (x)	(1.3)	(0.4)

Balance sheet	2006A	2007A
Cash & deposits	4.1	10.2
Inventories	0.0	0.0
Trade debtors	0.1	0.1
Other curr assets	0.0	0.1
Total current assets	**4.1**	**10.4**
Prop., plant & equip.	0.0	0.1
Non-curr intangibles	0.2	1.8
Non-curr investments	0.0	0.0
Other non-curr assets	0.0	0.0
Total assets	**4.3**	**12.3**
Trade creditors	0.1	0.7
Curr borrowings	0.0	0.0
Other curr liabilities	0.0	0.0
Total current liab.	**0.1**	**0.7**
Borrowings	0.0	0.0
Other non-curr liabilities	0.0	0.0
Total liabilities	**0.1**	**0.7**
Minorities/Convertibles	0.0	0.0
Shareholders equity	**4.2**	**11.7**

Assumptions	2006A	2007A
GDP growth (%)	2.92	3.29
Interest Rates (%)	5.69	6.33
Inflation (%)	3.20	2.92

Notes:1. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.
2. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see www.aegis.com.au.

Results of Scoping Study - Kanyika Project, Malawi

Key Points

- US$3.0B revenue and US$1.1B free cash flow over 20-year period.
- High operating margins - US$93M in Year 1, averaging US$77M for life of mine.
- Modest upfront capex estimated at US$177M.
- Short capital payback period - less than two years.
- Niobium the primary commodity - 20% p.a. consumption growth in last five years.
- Financial returns have potential to improve significantly with further work.
- Globe positioning itself for strategic alliance and off-take partner.

TABLE 1: RESULTS OF SCOPING STUDY FOR THE KANYIKA PROJECT

Production	**3,000 tpa Nb**		**4,000 tpa Nb**	
Initial CAPEX	US$156M		US$177M	
	Year 1	Year 20	Year 1	Year 20
Mill feed	1.7Mt	2.6Mt	2.2Mt	3.5Mt
Ore:Waste	0.5	0.9	0.5	0.9
Revenue	US$112M	US$114M	US$150M	US$152
Operating costs	US$41M	US$63M	US$52M	US$80M
Op. margin*	US$71M	US$50M	US$98M	US$72M
Payback	less than 2.5 years		less than 2 years	

* Excludes royalties and capital expenditure

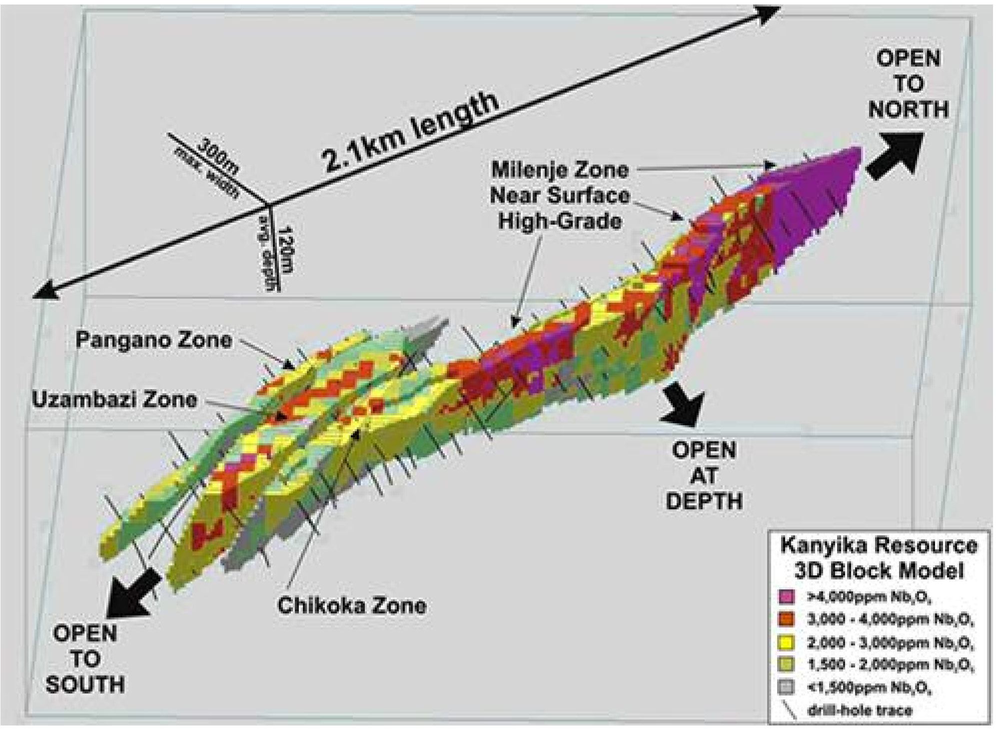
Source: GBE, ASX/Media Announcement, 30/7/08

Mining

The Kanyika deposit consists of four zones. The Chikoka, Pangano and Uzambazi zones are low grade, whilst the Milenje zone hosts high-grade near-surface ore. These zones and the ore blocks are shown in Figure 1. It should be noted that the Kanyika resource is open along strike in both directions and down-dip. There is potential to extend the high-grade resource to the north and to depth. There seems to be potential to add to resources and build on shareholder value.

Mining will use conventional open-pit methods mining benches between 5m and 10m in height. The very low stripping ratio and the relatively shallow nature of the resource are extremely favourable for relatively low mining costs.

FIGURE 1: KANYIKA RESOURCE 3D BLOCK MODEL



Source: GBE

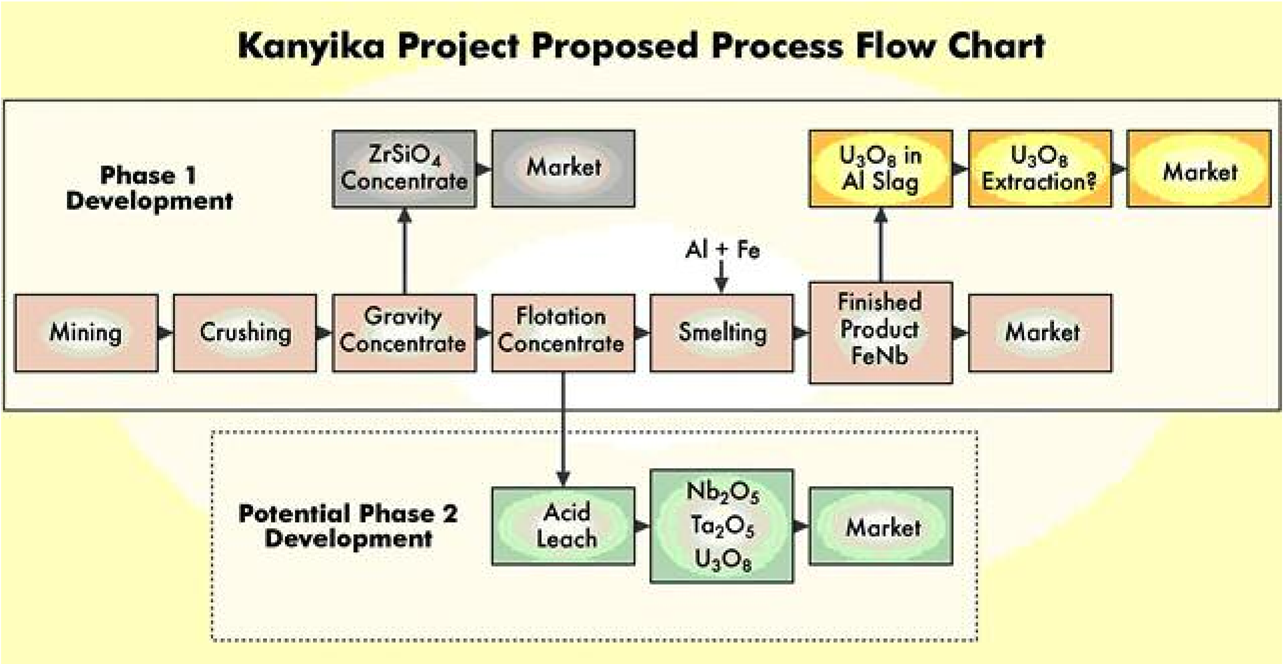
Process Flow Sheet and Metallurgy

A process has been designed to produce niobium, uranium, tantalum and zircon products. Treatment is straight forward, with crushing to liberate the mineral pyrochlore, which contains Nb, Ta, and U, and zircon. Gravity separation is used to produce a zircon concentrate. The pyrochlore gravity concentrates reports to a conventional floatation circuit from which a concentrate grading around 25% Nb2O5 and 1% Ta2O5 is produced. The major product, FeNb alloy, is produced from a smelter using the aluminothermic reduction process. This is usually a batch process where aluminium is oxidised by another metal oxide. This method of smelting pyrochlore produces free Fe and Nb, which combine to form FeNb. A slag is produced that is rich in Al2O3 and CaO and is easily separated due to its different density. The chemical reactions progress swiftly and lot of heat is generated to make the slag. At this point in time GBE has not carried out pyrometallurgical and smelter testwork. However, the proposed aluminothermic reduction is used by some other producers of FeNb. The proposed process flow chart is shown in Figure 2.

Prices and Operating Costs

GBE requested Coffey Mining to use discounted prices for the scoping study. For FeNb a price of US$35/kg was used rather than the spot price at the time of US$55/kg. Smaller discounts of 23% and 4%, respectively, were used for Nb2O5 and Ta2O5. The price of zircon was discounted by 25% from US800/t to US$600/t. These discounts are prudent considering an outlook for slower world economic growth. The price of ferro niobium soared at the start of 2007, rising from U$9.50/lb in February to US$26.50/lb in April. The price pulled back a little to US$21.40/lb in November 2007 and has recovered to US$24/lb in July 2008. Metals that are traded outside exchanges, including Nb, have generally risen at a stronger pace than exchanged-traded metals like copper. Speculators usually only play a very small part in the minor metal markets and so long as demand stays strong, buoyed principally by China, the price of Nb might remain relatively firm. A strong price in the absence of speculative buying is suggestive of good underlying fundamentals, but these can change quickly.

FIGURE 2: KANYIKA PROPOSED PROCESS FLOW CHART



Source: GBE

The study assumes that uranium reports to the slag and that there is no U3O8 credit. However, it might be economically viable to re-process the slag and use acid leach to recover uranium. Not surprisingly the project shows its greatest sensitivity to the price of Nb. Current spot prices used in the study would significantly enhance project economics. The corporate tax rate in Malawi is 30%. The scoping study projected cash flows exclude tax and are ungeared.

For a 1Mtpa processing facility, Coffey Mining has estimated that power will account for about 43% of unit processing costs. Power supply is an important consideration across most of Africa and the project will not place any reliance on the availability of grid power. This decision lowers risk at the expense of a higher operating cost but the unit cost per tonne treated is a respectable US$25/t. Table 2 shows estimated operating costs.

Environment

If the uranium cannot be economically recovered, disposal of the slag diluted with tailings is expected to result in radiation levels very similar to the level of background radiation. This should pose no significant threat to the environment. In the event that the radiation level of the slag was too high to be readily stockpiled, it is GBE's view that it would be economic to process the slag and recover the uranium. Coffey Mining estimates that each tonne of ore treated will consume 0.75t of water or 750 litres. The Milenje River runs through the Kanyika area for nine months of the year. Availability of water is not expected to be a problem but droughts are unexpected events.

Summary

The scoping study shows that increasing the annual rate of production by a third to 4,000tpy of Nb, results in increasing the initial capital requirement by 13.5% to US$177M. At the higher rate of production the annual operating costs fall from around US$24/t for treating 1.7Mtpa of ore to US$22.90/t for processing 3.5Mtpa. This is a 5% fall in unit costs for a 33% increase in production. The fact that the unit processing cost falls around 19% at the higher level of production infers a high level of fixed costs. If exploration at the northern end of the Milenje Zone is successful and significantly increases the resource of high-grade ore, there is potential to increase output to lower unit fixed costs. There is potential to increase the value of the project for shareholders.

The results from the scoping study are most encouraging. The next milestones to reach include: forming a strategic alliance and entering into off-take agreements; completion of metallurgical/smelting studies to verify the processing route; completion of a bank feasibility study; and securing all the permits required to begin project construction and mine. Product specifications will have to be tested for acceptance by potential customers. Whilst the initial projections for developing Kanyika are supportive of a robust 20-year project, there are still many milestones to achieve.

TABLE 2: UNIT OPERATING COSTS

Operating Costs for a 1.7M* Tonnes per Annum Facility	Unit	US$M	US$/t
Processing** (US$/t milled)	16.00	26.60	16.00
Downstream processing (US$/t concentrate)	100.00	2.00	1.18
Infrastructure maintenance (US$/t milled)	0.74	1.20	0.71
G&A (US$3M/year)	3.00	3.00	1.76
Mining (US$/t mined) (US$/t milled)	2.40	6.10	3.59
Grade control (US$/t milled)	0.50	0.80	0.47
Mine supervision (US$/t milled)	0.60	1.00	0.59
Geotech/Hydro (US$/t milled)	0.10	0.20	0.12
Rehandle ($/t milled)	0.30	0.50	0.29
Other	0.00	0.05	0.03
TOTAL (rounded)		**41.40**	**24.74**

** Crushing, Grinding, Floatation, Power, Maintenance, Labour, Thickening, Reagents, Filtration, Grinding media, Tailings and storage, Transport and shipping

* Unit Processing Costs	Annual Throughput			
	1.5Mt	2.0Mt	3.0Mt	4.0Mt
TOTAL (rounded)	**US$16.00**	**US$15.00**	**US$14.00**	**US$13.00**

Source: GBE, ASX/Media Announcement, 30/6/08

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